

## AGENDA ITEM 4 (INFORMATION ITEM) COMMISSION STAFF REPORT

### CDIAC Staff Report June 18, 2013

#### DATA COLLECTION AND ANALYSIS UNIT

California Government Code requires CDIAC to collect, maintain, and provide comprehensive information on all state and local debt authorization and issuance, and serve as a statistical clearinghouse for all state and local debt issues. CDIAC's Data Collection and Analysis Unit (Data Unit) carries out these statutory responsibilities.

The Data Unit collects data at the time of debt authorization and issuance as well as annual fiscal status reports for Mello-Roos and Mark-Roos bonds. This information is maintained in CDIAC's Debt Issuance Database (Database), a portion of which can be accessed on CDIAC's website.<sup>1</sup> The Database contains information from 1984 to the present and is updated on a daily basis by Data Unit staff. As of May 8, 2013 the Database contained more than 49,000 records.

For fiscal year (FY) 2012-13, the Data Unit received and processed 6,283 reports including Reports of Proposed Debt Issuance (RPDI)<sup>2</sup>, Reports of Final Sale (RFS)<sup>3</sup>, Marks-Roos Yearly Fiscal Status Reports (MKR YFS), Mello-Roos Yearly Fiscal Status Reports (MLR YFS), and Mello-Roos/ Marks-Roos Draw on Reserve/Default/Replenishment Filings (DFD). Figure 1 contains a breakdown of the reports processed by the Data Unit during FY 2012-13.<sup>4</sup>

---

<sup>1</sup> The Data Unit receives annual fiscal status reports for Mello-Roos and Marks-Roos bonds issued after January 1, 1993 and January 1, 1996, respectively.

<sup>2</sup> Per Government Code Section 8855(i) issuers of proposed new debt must give notice no later than 30 days prior to the sale date.

<sup>3</sup> Per Government Code Section 8855(j) issuers must submit reports of final sale no later than 45 days after the signing of the bond purchase agreement or acceptance of bid.

<sup>4</sup> Totals as of May 8, 2013.

**FIGURE 1****REPORTS PROCESSED\*, FISCAL YEAR 2012-13**

<b>TYPE OF REPORT</b>	<b>TOTAL</b>
Reports of Proposed Debt Issuance	1,821
Reports of Final Sale	1,772
Mello-Roos Yearly Fiscal Status Reports	1,307
Marks-Roos Yearly Fiscal Status Reports	1,347
Mello-Roos/Marks-Roos Draw on Reserve/Default/Replenishment Filings	36

\*Totals as of May 8, 2013

Since 2008, the Data Unit has been transitioning to electronic submission of data and reports. Electronic submission enhances data collection efficiencies and helps to ensure reporting accuracy. In 2012, working with the State Treasurer’s Office Information Technology Division (ITD) CDIAC added a “fillable PDF” version of the RPDI to its web-based reports. For RPDI submissions, public agency issuers can now submit reports using one of four methods: CDIAC’s web-based forms, fillable PDF RPDI, e-mail, or traditional mail.

Figure 2 displays the methods used to submit RPDIs<sup>5</sup> and RFSs in FY 2012-13.

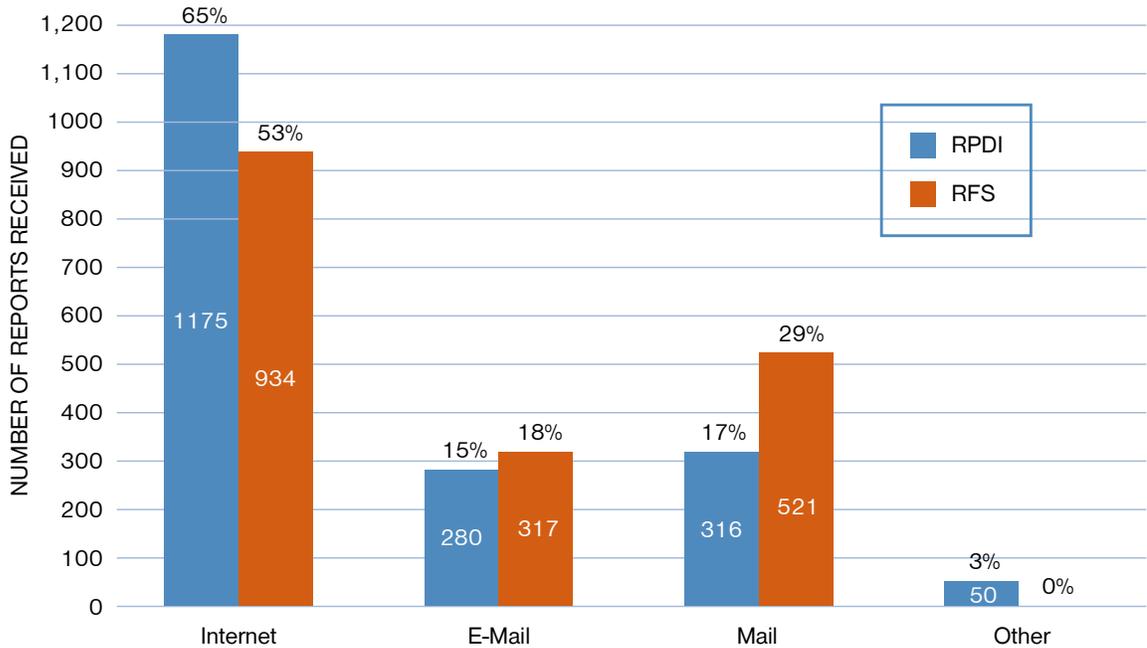
During FY 2012-13, a total of 3,593 RPDIs and RFSs were received using all submittal methods. On-line submission of these reports accounted for 57 percent of all submissions. Submittals by e-mail and traditional mail require CDIAC staff to manually enter the data into the CDIAC database. Thirty-five (35) percent of the 1,821 RPDIs and 47 percent of the RFSs received for the FY year were sent in a format that required manual entry. CDIAC continues to explore ways to increase online submissions, including conducting customer outreach to determine the reasons for hardcopy submissions and resolve any issues that may be impeding the use of online forms. ITD is assisting CDIAC in customer outreach by helping submitters to determine if any software issues may be present.

In addition to the RPDI and RFS, CDIAC is statutorily required to collect data from public debt issuers who have issued under the Marks-Roos Bond Pooling Act or the Mello-Roos Community Facilities Act. CDIAC also collects data on Tax and Revenue Anticipation Bond (TRAN) pools. When these additional types of reports are considered, approximately 73 percent of all reports are submitted using CDIAC’s online forms (Figure 3). Reports received by traditional mail and as an e-mail attachment represented 26 percent of total reports received by the Data Unit.

<sup>5</sup> Submittal of the fillable PDF RPDI is included in the “Other” category.

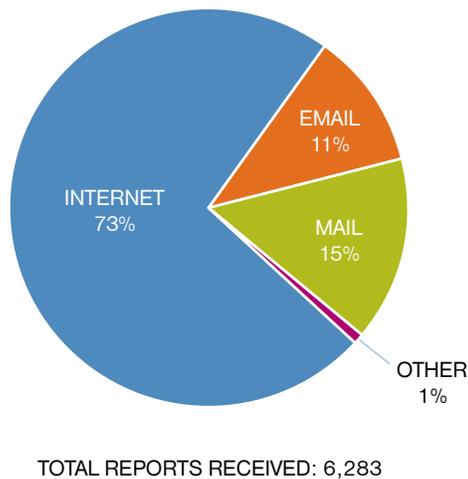
**FIGURE 2**

STATE AND LOCAL ISSUANCE, METHODS OF SUBMITTAL, RPDIs AND RFSs, FY 2012-2013



**FIGURE 3**

STATE AND LOCAL ISSUANCE  
METHODS OF SUBMITTAL  
ALL REPORTS, FY 2012-2013



In the coming year, CDIAC hopes to automate the submission of Tax and Revenue Anticipation Note (TRAN) Pools reports, thereby eliminating the need for CDIAC staff to enter the data. Electronic submission of these reports should greatly increase the online submission rate.

### Debt Issuance Fees

A critical function of the Data Unit is the collection of reporting fees, the main revenue source through which CDIAC funds its operation. CDIAC’s reporting fees are assessed based on the amount of principal issued, the length of maturity (long-term versus short term), and the type of issuance. In general, the reporting fee for short-term maturities (eighteen months or less) is \$150 per issue. Long-term maturities (greater than eighteen months) are assessed 1.5 basis points (0.00015) of principal not to exceed \$3,000.<sup>6</sup> A detailed fee schedule is available on CDIAC’s website.

<sup>6</sup> Long-term maturities are issues for which the length of final maturity is greater than 18 months. Short-term maturities are issues for which the length of final maturity is 18 months or less.

For FY 2012-13 the Data Unit issued 957 invoices totaling approximately \$1.7 million.<sup>7</sup> As of May 8, 2013, 120 remain uncollected. Figure 4 reflects the breakdown of reporting fees assessed for state and local agencies in FY 2012-13.

**FIGURE 4**  
FEES ASSESSED IN CALENDAR YEAR 2012, STATE VS. LOCAL

	FEES ASSESSED	# OF INVOICES
STATE		
Long-Term Debt	\$105,516*	47
Short-Term Debt	600	4
LOCAL		
Long-Term Debt	1,497,714	776
Short-Term Debt	54,300	130**
TOTAL	\$1,661,130	957

\* Includes fees assessed to the Student Loan Corporation

\*\* Short-term invoices issued for local agencies may include fees assessed for TRAN Pools. These invoices represent multiple flat rate assessments on one invoice

## Public Access to Data

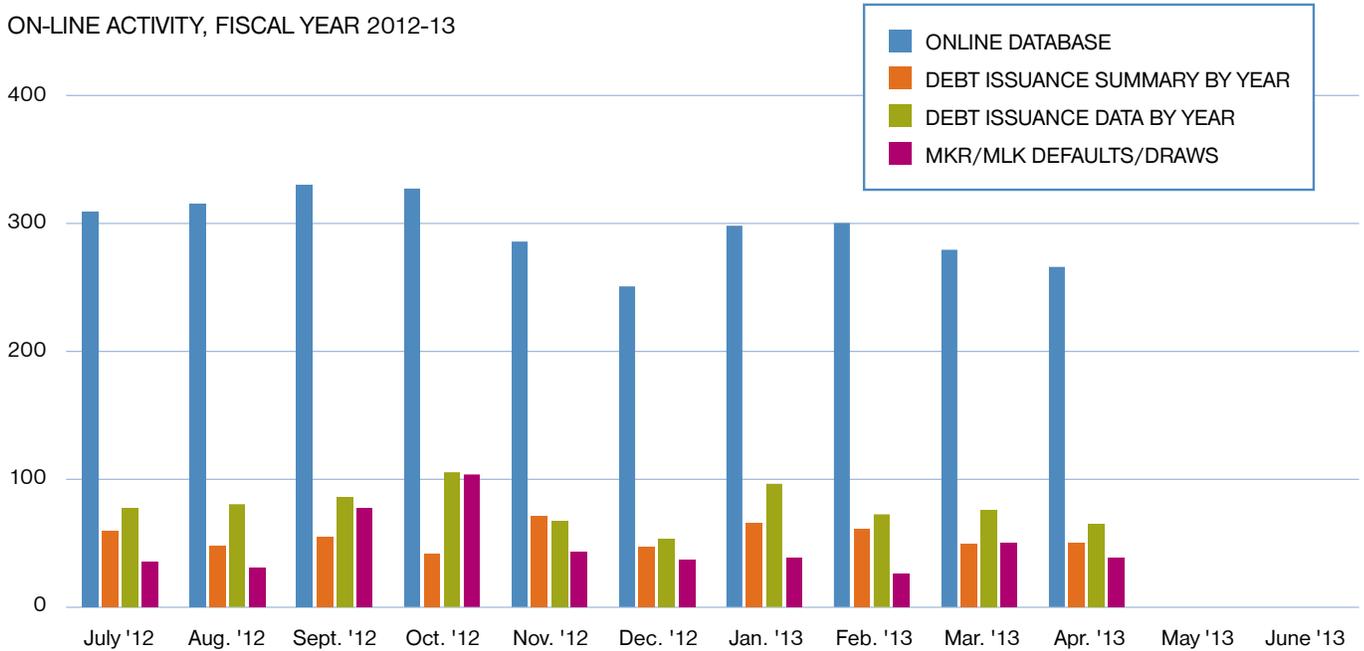
CDIAC makes available the information submitted by public agencies through the CDIAC website. Users may access data in a variety of forms, including:

- **ONLINE TABLES.** The Data Unit posts monthly California state and local debt issuance data to CDIAC’s website in the form of tables. Data is summarized by year and the type of debt issued or the purpose for which it was issued.
- **ONLINE ISSUANCE DATA-EXCEL FORMAT.** Data is posted on all public debt issued in California within each calendar year as reported to CDIAC on the “Reports of Final Sale”. For the current year, the information is displayed by month, as received within the dates shown, and includes the same information on “sold” issues that is published in the Calendar feature of *Debt Line*.
- **SEARCHABLE DATABASE.** State and local debt issuance data is available through a searchable database that contains information from 1984 through the present on all debt issuance reported to CDIAC. The online database was accessed more than 2,900 times during first ten months of FY 2012-13.

<sup>7</sup> This figure represents invoices issued as of April 30, 2013.

**FIGURE 5**

ON-LINE ACTIVITY, FISCAL YEAR 2012-13



- MARKS-ROOS AND MELLO-ROOS DRAW ON RESERVES/DEFAULT REPORTS. The Data unit posts data on draws on reserve and defaults as the reports are received. Reports are listed by issuer and date of occurrence.

Figure 5 displays the number of “hits” or inquiries on CDIAC’s online data sources received during the first ten months of FY 2012-13.

### Reports

CDIAC publishes a number of summary reports using data reported throughout the year. Beginning in October each year, the Data Unit receives the Marks-Roos and Mello-Roos Yearly Fiscal Status Reports which report financial activity for the prior fiscal year (July 1 through June 30) and serve as the basis for CDIAC’s Marks-Roos Yearly Fiscal Status Report and the Mello-Roos Community Facility District Yearly Fiscal Status Report.<sup>8</sup> During FY 2012-13, CDIAC published the Marks-Roos Bond Pooling Act Participants Yearly Fiscal Year Status Report for fiscal years 2002-2003, 2003-04 and 2004-05. Staff is currently compiling and verifying data for the intervening fiscal years and expects to post the reports to the CDIAC website prior to the end of the calendar year. Staff also published the Mello-Roos Community Facilities District Yearly

<sup>8</sup> Pursuant to Government Code Sections 6599.1(b) and 53359.5(b) issuers of Mark-Roos (after January 1, 1996) and Mello-Roos (after January 1, 1993) bonds must submit Yearly Fiscal Status Reports to CDIAC.

Fiscal Status Reports for fiscal years 2009-10 and 2010-11. The report for fiscal year 2011-12 will be available in the summer of 2013.

Yearly data is summarized in three report forms:

- **CALENDAR OF CALIFORNIA PUBLIC DEBT ISSUANCE.** This annual report lists details of each public debt issue issued in California. Each listing includes the name of the issuer, the county, the type and purpose of the issue, the date of the sale, the principal amount of the debt, and whether or not the issue is a refunding. Each listing also shows the interest rate, the rating, credit enhancement information, the final maturity date, and the major participants in the financings. The report is organized chronologically by issuer, beginning with the State of California and its departments and agencies, then local agencies (further sorted by county, agencies within counties, and by the sale date of the issue) and student loan corporations.
- **SUMMARY OF CALIFORNIA PUBLIC DEBT ISSUANCE.** This annual report provides aggregate summary information by issuer on major debt characteristics, such as long-term and short-term debt, tax-exempt and taxable debt, and refunding existing indebtedness. The value of this report for financing professionals and policymakers lies in its ability to answer questions concerning who issued the debt, how the debt was issued, and for what purpose.
- **ANNUAL REPORT.** CDIAC's Annual Report provides more global analyses (as opposed to the "by issuer" structure of the previous two reports) of public debt issued in California for the calendar year. The analyses include comparisons to previous years' debt issuance levels; categories of issuance (such as, purpose of debt, competitive and negotiated, credit enhanced debt); and displays California's Mello-Roos and Marks-Roos issues, purpose, defaults and draws on reserves. (Mello-Roos and Marks-Roos are California's financing mechanisms for specified public improvements and are generally backed by special property tax assessments.)

## Other Projects

**ELECTRONIC FILE STORAGE.** In late 2009 the Data Unit began a project to reduce the amount of paper files stored on site by systematically reviewing, digitizing, and electronically storing all on-site paper files. Staff continues to work on this project as time allows. As of May 2013, the 2009 files were 95 percent complete.

**DATABASE AND REPORTING FORMS UPDATE - MARKS-ROOS YEARLY FISCAL STATUS REPORT OF LOAN OBLIGATIONS.** Developed in 2011, this new form is now available for electronic submission through CDIAC's website.

DATABASE AND REPORTING FORMS UPDATE - FILLABLE PDF REPORT OF PROPOSED DEBT ISSUANCE (RPDI). Working with the ITD, CDIAC has replaced the mail-in version of this report with a form that can be completed online and submitted electronically. Users with web browsing software that was not compatible with the software used by the STO were experiencing problems with completing and submitting the online RPDI. ITD developed and CDIAC replaced the non-fillable mail-in version of the RPDI with one that can now either be printed out for manual completion or completed and submitted electronically regardless of the user's browsing software.

DATABASE UPDATES - APPLICATION BASED REPORTS. CDIAC is working with ITD to update several reports currently generated within CDIAC debt issuance database software. Many of these reports were created several years ago and must be updated to require less manual manipulation by staff.

CAPTURING PROCESS EFFICIENCIES. The Data Unit continues to work with the ITD to enable issuers to easily submit data to CDIAC via the Internet. Although the online submission rate has remained virtually unchanged from FY 2011-12, CDIAC continues to work with ITD to enable TRAN pool participants to electronically submit RPDI and RFS. Currently all TRAN Pool data must be manually entered by Data Unit staff. Developing web-based reports that can be electronically submitted by users will greatly improve staff processing time.

TECHNICAL ASSISTANCE. Data Unit staff responded to 31 requests for technical assistance during the first three-quarters of the fiscal year. The two most common requests were for data on the fees paid to financing team members and information on the yearly fiscal status of Mello-Roos bonds. The Data Unit also fulfilled numerous requests for information on capital appreciation bonds, and school and community college district debt.

## EDUCATION AND OUTREACH UNIT

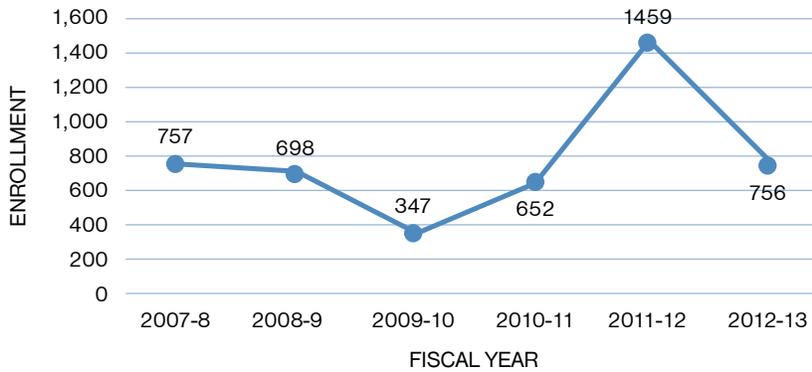
Government Code Section 8855(h)(7) requires CDIAC to provide a continuing education program to municipal debt and investment professionals.

### Seminar Enrollment

In FY 2012-13, 756 municipal professionals attended educational events offered by CDIAC or in partnership with other public finance organizations, a decrease of 48 percent from FY 2011-12 (Figure 6). The decrease in overall attendance was expected and can be attributed to two issues: CDIAC offered specialized webinars and CDIAC did not conduct its traditional core seminars. For FY 2012-13, CDIAC scheduled programs based on survey results provided by constituents. CDIAC will continue

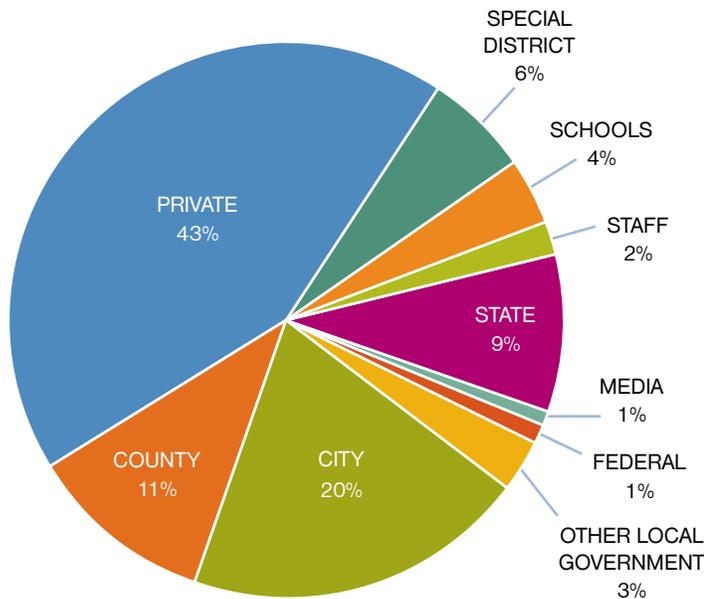
**FIGURE 6**

ATTENDANCE FOR FY 2012-13  
(CDIAC SEMINARS, CONFERENCES, WORKSHOPS AND WEBINARS)



**FIGURE 7**

ENROLLMENT AT CDIAC SEMINARS BY AGENCY TYPE  
JULY 2012 THROUGH JUNE 2013



to determine educational programming based on need and plans a return to core programming in FY 2013-14.

CDIAC continues to serve its core constituency, local public agencies, through its educational programs. Over the past twelve months, 57 percent of the attendees of CDIAC's seminars have been public agency representatives of cities, counties, special districts, and other local government entities (Figure 7).

## Webinars

In FY 2011-12, CDIAC introduced web-based training to address one of the perceived contributors to low enrollment in CDIAC's 2010 seminars - limited travel budgets. This platform remains an effective mode of delivering CDIAC's educational information. Forty-four (44) percent of attendance in CDIAC's education programs was attributed to webinars (Figure 8). The four webinars offered in FY 2012-13 were technical and specialized, and designed to address current issues and trends in the municipal market.

**NEW FRONTIERS IN PUBLIC FINANCE: A RETURN TO DIRECT LENDING.** On October 3, 2012, CDIAC held a dynamic webinar on a popular municipal financing strategy that has been in existence for a long-time, but has recently made a resurgence. Direct lending includes private placements and direct loans between banks and municipal borrowers. While direct loans have increased to allow public agencies to access the market more readily, there are concerns that these financings are not subject to municipal disclosure. The presenters discussed the types of direct lending and the issues of concern raised by this growing public finance trend.

**A DOUBLE-EDGED SWORD: THE ECONOMICS OF PENSION OBLIGATION BOND FINANCING FOR LOCAL GOVERNMENTS.** On October 24, 2012, CDIAC held a webinar focusing on the application of pension obligation bonds (POBs) for municipals. While POBs may be an attractive strategy for managing an agency's unfunded pension liability, there are many associated risks. This webinar addressed the risks and described POB mechanics.

**ACHIEVING THE GRADE: SCHOOL DISTRICT CONTINUING DISCLOSURE PRACTICES IN TODAY'S MARKET.** On November 14, 2012, CDIAC held a webinar tailored for school officials and interested parties to help im-

**FIGURE 8**

EDUCATION FORMAT: WEBINARS VS. SEMINARS, FY 2012-13



prove transparency related to municipal securities disclosure content and timing. Several reports, including a CDIAC study, raised concerns that school districts were failing to meet obligations under disclosure rules. The webinar was designed to help schools improve their disclosure practices to be more timely, accurate, and compliant.

MARKET UPDATE: THE FUTURE OF CREDIT ENHANCEMENT. On March 6, 2012, CDIAC held a webinar that addressed the issuance of credit enhancement. The webinar explored the use of credit enhancement including when to issue enhanced debt, currently available credit enhancement, and the potential impact of municipal reforms on credit enhancement.

### Educational Partnerships

In FY 2012-13, all five of CDIAC's classroom trainings were delivered collaboratively through partnerships with the Municipal Securities Rule-making Board (MSRB), *The Bond Buyer*, the California Municipal Treasurer's Association, and the University of California Extension Programs in Davis and Los Angeles.

THE NEW RULES AND TOOLS IN MUNICIPAL FINANCE. On July 24, 2012, CDIAC partnered with the MSRB for a one-day outreach seminar that provided market participants and, in particular, public agencies with information about how regulation of the municipal securities market is changing and the MSRB's long-range plan for greater market transparency. This seminar focused on significant practices in disclosure, thereby attracting both public and private practitioners to the program.

CDIAC PRE-CONFERENCE AT *THE BOND BUYER'S 22<sup>ND</sup> ANNUAL CALIFORNIA PUBLIC FINANCE CONFERENCE: EXPLORING THE DIMENSIONS OF MUNICIPAL CREDITS*. On October 17, 2012, CDIAC marked its 11<sup>th</sup> year of collaboration with *The Bond Buyer*. CDIAC provided a one-day seminar that focused on the changing value of municipal credits. This high level seminar included a presentation and analysis of information related to credit quality and collateral and addressed the current issue of municipalities' willingness and ability to repay debt. The program further focused on the tension between the public's demand for projects and the willingness to finance them over long periods of time.

CDIAC PUBLIC INVESTING WORKSHOP IN COLLABORATION WITH CALIFORNIA MUNICIPAL TREASURER'S ASSOCIATION DIVISION 6. On February 28, 2013, CDIAC partnered with the largest CMTA division, covering all of Northern California to provide an essential workshop on the framework for the investment of public funds. The program promoted the use of CDIAC's Local Agency Investment Guidelines. In addition, the program focused on lessons learned from past investment calamities and best practices for investment reporting and fund management.

FUNDING AND FINANCING OF MAINTENANCE AND PUBLIC INFRASTRUCTURE USING SPECIAL ASSESSMENTS: NEW APPROACHES FOR ACHIEVING SUCCESSFUL OUTCOMES. On April 11<sup>th</sup> and 25<sup>th</sup>, 2013, CDIAC partnered with the University of California Extension Programs (UC Davis and UCLA) to provide a workshop focused on the considerations and implications of court actions related to the definition of special benefit in special assessment financing.

## RESEARCH UNIT

California Government Code Section 8855(h)(5) authorizes CDIAC to undertake research projects that improve practices or reduce the borrowing costs of public issuers in California. Since the Commission's last meeting on June 6, 2012, CDIAC staff have either initiated or completed the following research assignments.

### Completed Projects

- CDIAC produced and published data on capital appreciation bond issuance between January 2007 and November 1, 2012 assembling and individually analyzing bond sales using its proprietary database along with data from the Electronic Municipal Market Access database administered by the Municipal Securities Rulemaking Board and from the bond official statements. Results of this research have provided the analytical foundation for many news articles and reform efforts currently being considered by the State Legislature under Assembly Bill 182 (Buchanan and Hueso).
- A SURVEY OF THE COUNTY TREASURER'S ROLE IN SCHOOL DISTRICT GENERAL OBLIGATION BOND FINANCING. CDIAC published the results of a survey examining the relationship between California school districts and the 58 county treasurers' offices with regard to general obligation (GO) bond financings. The publication examined the authorities and processes underlying the approval, sale, and administration of school district GO bonds to better understand the roles of other governing bodies including the school board and the county board of supervisors in the issuance of school district GO bonds.
- PUBLIC WORKS BORROWING BY LOCAL AGENCIES 2001-2011. CDIAC produced a history and general view of public works infrastructure financing used by cities, counties, agencies and special districts in California from 2001 through 2011.
- CALIFORNIA LOCAL AGENCY GENERAL OBLIGATION BOND COST OF ISSUANCE 2009-2011. CDIAC published a review and analysis of cost of issuance for local agency GO bonds issued during calendar

years 2009 through 2011 with the intent of assisting issuers in identifying and planning costs associated with future bond issuance.

- AN HISTORICAL REVIEW OF LOCAL PUBLIC ENTERPRISE REVENUE BOND ISSUANCE. CDIAC published a history of Public Enterprise Revenue Bonds over the last quarter century. This type of financing instrument has been the most widely used method of bond funding for capital improvement projects in California. With the need for future infrastructure financing in California, this report provides an overview of the sources and uses of Public Enterprise Revenue Bonds in California.
- CONDUIT REVENUE BOND SPOTLIGHT. CDIAC prepared this article to give an overview of conduit revenue bond issuance and default history, regulations controlling their use, and other related current events.
- REDEVELOPMENT BOND ISSUANCE. In light of the dissolution of redevelopment agencies in California, CDIAC conducted a review of redevelopment agency debt issuance from 1985 to 2011 and provided a summary of issuance derived from information reported to CDIAC as of April 4, 2012.
- LOCAL AGENCY INVESTMENT GUIDELINES: UPDATE FOR 2012. CDIAC, working collaboratively with industry contacts, reviewed and updated the CDIAC Local Agency Investment Guidelines. CDIAC research staff presented the Local Agency Investment Guidelines at the California Association of County Treasurers and Tax Collectors education conference and at a regional California Municipal Treasurers Association conference.
- CDIAC researched the City of Stockton's outstanding bonds in conjunction with the City's bankruptcy action.
- CDIAC participated in crafting and reviewing the *California Municipal Treasurer Investment Policy Certification Program*.
- CDIAC published its monthly newsletter, *Debt Line*, throughout 2012, posting issuance statistics along with research articles penned by CDIAC staff and guest authors from selected areas within the public finance community.

### Initiated Projects in Process

ACADEMIC RESEARCH. In the second half of 2012, working in collaboration with the Center for California Studies at Sacramento State University, CDIAC commissioned academic research to provide a methodology to assess bond default probabilities and develop a scoring for 250 cities in the state.

CAPITAL APPRECIATION BONDS - EDUCATION FINANCING. Using CDIAC data, along with extensive analysis, discussion, and consultation with stakeholders conducted in the second half of 2012, CDIAC plans to issue a report on school and community college use of capital appreciation bonds. When published, it will offer an in-depth view of the structure, purpose, and rationale for the use of capital appreciation bond structures in education general obligation bond financing.

DEBT ISSUANCE PRIMER. Since the original CDIAC *Debt Issuance Primer* was published, many changes in the legal, financial policy, and technological environments have changed. In late 2012, CDIAC commissioned an update of the contents and presentation of the Primer to provide users a comprehensive and easy to use tool that reflects the improvements in display presentation and information retrieval available through current publishing technology.

DEBT POLICY SURVEY. CDIAC initiated a local agency debt policy survey identifying the use by and among agency types, contents included and discussion of best practices with regards to formal local agency debt policy.

### Future Projects Scheduled For Completion During 2013

In addition to completing the projects in process (above), CDIAC plans to undertake future research on the following topics.

- EXAMINATION OF ALTERNATIVE INVESTMENTS. With interest rates at historic lows, staff will examine new investment alternatives being considered by local agency investment staff. CDIAC will provide a detailed analysis along with cost, benefits and regulatory constraints affecting their use to help local agency investment decision makers.
- DIRECT LOANS AND PRIVATE PLACEMENTS. Over the past few years, private placements and direct loans have become a popular option with local agency issuers. Given this change, CDIAC will review and analyze this practice and the implications for borrowers and investors.
- LOCAL AGENCY INVESTMENT LEGISLATION. CDIAC, working collaboratively with industry contacts, will review changes to the local agency investment code and attempt to clarify perceived ambiguity in the current statutes.
- ASSESSING MUNICIPAL BOND DEFAULT PROBABILITIES. CDIAC will publish academic research commissioned in 2012 and attempt to leverage this work to provide insights into local agency debt capacity, affordability, and credit status.

- LOCAL AGENCY INVESTMENT GUIDELINES. CDIAC, working with stakeholders, will update the CDIAC Local Agency Investment Guidelines for 2013.
- EDUCATION PROGRAM SUPPORT. The Research Unit will provide support to the Education Unit in their 2013 programs. CDIAC Research Unit will continue to provide input to local agencies and the general public on matters related to technical assistance requests.